Orange County/
Inland Empire

PREPARING FOR INFILL HOUSING IN RETAIL AND OFFICE DEVELOPMENTS

Technical Assistance Panel Report | MARCH 30-31 2023

THIS REPORT IS SPONSORED BY:
The Orange County Council of Governments (OCCOG)

ON THE COVER: Orange County welcome sign, located on the corner of Artesia Blvd & Firestone Blvd in Buena Park, CA.

About the Urban Land Institute

The Urban Land Institute is a global, member-driven organization comprising more than 45,000 real estate and urban development professionals dedicated to advancing the Institute's mission of shaping the future of the built environment for transformative impact in communities worldwide. ULI's interdisciplinary membership represents all aspects of the industry, including developers, property owners, investors, architects, urban planners, public officials, real estate brokers, appraisers, attorneys, engineers, financiers, and academics. Established in 1936, the Institute has a presence in the Americas, Europe, and Asia Pacific region, with members in 81 countries. ULI's extraordinary impact on land use decision-making is based on its members' sharing expertise on a variety of factors affecting the built environment, including urbanization, demographic and population changes, new economic drivers, technology advancements, and environmental concerns. Peer-to-peer learning is achieved through the knowledge shared by members at thousands of convenings each year that reinforce ULI's position as a global authority on land use and real estate. Drawing on its members' work, the Institute recognizes and shares best practices in urban design and development for the benefit of communities around the globe.

More information is available at uli.org. Follow ULI on Twitter, Facebook, LinkedIn, and Instagram.

About ULI Orange County/ Inland Empire

ULI Orange County/Inland Empire is a non-profit real estate and land development organization supported by nearly 1000 public and private sector members. Our mission is to promote leadership in the responsible use of land to create sustainable and thriving communities. We provide our members with independent forums for discussion and debate about city building issues and best practices.

The Urban Land Institute stands at the forefront of the land use and real estate industry, a steadfast leader in the best practices for a changing world. For over eight decades, ULI has been a unique and trusted forum where members come together to share and exchange ideas, information and experiences – to shape tomorrow's horizon and improve the way communities grow.

ULI Advisory Services: National and Global Programs

Since 1947, the ULI Advisory Services program has assembled well over 700 ULI-member teams to help sponsors find creative, practical solutions for complex land use challenges. A wide variety of public, private, and nonprofit organizations have contracted for ULI's advisory services. National and international panelists are specifically recruited to form a panel of independent and objective volunteer ULI member experts with the skills needed to address the identified land use challenge. The program is designed to help break through obstacles, jump-start conversations, and solve tough challenges that need an outside, independent perspective. Three- and five-day engagements are offered to ensure thorough consideration of relevant topics.

An additional national offering is the project analysis session (PAS) offered at ULI's Fall and Spring Meetings, through which specific land use challenges are evaluated by a panel of volunteer experts selected from ULI's membership. This is a conversational format that lends itself to an open exchange of ideas among diverse industry practitioners with distinct points of view. From the streamlined two-hour session to the "deeper dive" eight-hour session, this intimate conversational format encourages creative thinking and problem solving.

Learn more at americas.uli.org/programs/advisory-services.

ULI Advisory Services identify creative, practical solutions for complex land use and development challenges.

Technical Assistance Program (TAP)

Each panel team is composed of highly qualified professionals who volunteer their time to ULI. They are chosen for their knowledge of the panel topic and are screened to ensure their objectivity. ULI's interdisciplinary panel teams provide a holistic look at development problems. A respected ULI member who has previous panel experience chairs each panel.

The agenda for a two-day TAP is tailored to meet a sponsor's needs. ULI members are briefed by the sponsor, engage with stakeholders through in-depth interviews, deliberate on their recommendations, and make a final presentation of those recommendations. A report is prepared as a final deliverable.

Because the sponsoring entities are responsible for significant preparation before the panel's visit—including sending extensive briefing materials to each member and arranging for the panel to meet with key local community members and stakeholders in the project under consideration—participants in ULI's TAP assignments can make accurate assessments of a sponsor's issues and provide recommendations in a short time.

A major strength of the program is ULI's unique ability to draw on the knowledge and expertise of its members, including land developers and owners, public officials, academics, representatives of financial institutions, and others. In fulfillment of the mission of the Urban Land Institute, this TAP report is intended to provide objective advice that will promote the responsible use of land to enhance the environment.

Technical Assistance Panel and Project Staff

Panel Members

Panel Chairs

Karen Gulley
Managing Principal
PlaceWorks

Julia Malisos
Principal
WHA, Inc.

Panel Members

Jason Moody
Principal
Economic & Planning Systems

Jim Vanderpool
City Manager
City of Anaheim

Rob Reitenour
Senior Vice President
LOWE

Morgan Gallagher
Partner
Cox Castle & Nicholson

Alex Leonard
Senior Director, Development
Greystar

Andrew Nelson
Principal
Red Oak Investments

ULI Project Staff

Kendra Chandler
Executive Director, ULI Orange County/Inland Empire

Dan Majewski
Technical Writer & Designer

Acknowledgments

ULI Orange County/Inland Empire would like to thank the Orange County Council of Governments (OCCOG) for inviting us to do a TAP on this important topic. We would also like to thank Placeworks for graciously hosting the panel in their office. Addtionally, these panels would not be possible without the hard work of ULI Member volunteers who serve on them.

ULI

Lantern District, Dana Point, CA

CONTENTS

The scope of this TAP was all of Orange County, California. This map shows the location of the county as it relates to neighboring counties, as well as the cities within the county.

BACKGROUND

In 2022, the Orange County Council of Governments (OCCOG) commissioned ULI Orange County / Inland Empire (OC/IE) to complete two technical assistance panels (TAP) on the topic of planning for housing production. The first TAP was conducted in June 2022 and focused on the selection of existing commercial or office sites that could potentially be redeveloped to residential to satisfy RHNA obligations. This second TAP was conducted in March 2023 and is the summary of that effort, focusing on the technical, practical, and financial considerations of converting or infilling commercial properties with residential uses.

Click here to explore the first TAP report from this series.

About the Orange County Council of Governments

The OCCOG serves as Orange County's subregional planning organization. In partnership with the Southern California Association of Governments (SCAG), the metropolitan planning organization, OCCOG leads the development of Orange County's required planning documents so that the county can compete for state and federal funding. OCCOG representatives on the SCAG board make sure Orange County's voice is heard for regional policy making.

OCCOG is a voluntary, joint-powers agency that provides a vehicle for member agencies to engage cooperatively on matters important to the county. They conduct studies and projects designed to improve and coordinate common governmental responsibilities across the county.

INTRODUCTION

Over the past decade, housing costs in California have increased dramatically, and supply has not kept up with demand. California is facing an unprecedented housing shortage. This is causing various challenges in the SCAG region, including homelessness and displacement. The challenge faced by most municipalities in Orange County is the lack of appropriately zoned and developable land. Many communities are fully “built out” or have very little vacant land remaining.

Given recent state legislation, jurisdictions must be ready for the anticipated housing development applications in previously nonresidential zones, whether in the form of complete redevelopment of a site, or incremental infill within a commercial development that will largely remain in place. There are also two new state laws (AB 2011 and SB 6) that further incentivize the development of housing on any parcels where office, retail, or parking are the primarily permitted uses.

OCCOG jurisdictions have expressed concern about losing retail sales tax dollars and property tax dollars while absorbing increases in service costs associated with residential uses. There is also a general concern about losing neighborhood- and regional-serving commercial uses that serve residents. These issues provided the basis for convening the Technical Advisory Panel.

TAP panelists being briefed on the subject matter

Report Themes

This report examines 5 key questions:

1. Does redevelopment of retail or office to residential result in a net reduction of tax revenues?
2. What are the latest trends in the retail and office markets?
3. What is the best way to support existing successful commercial centers?
4. What are the important design factors in creating livable mixed-use environments?
5. 5. What are the implications of recent state laws on different types of retail/office environments?

Insights from Stakeholder Interviews

As a part of this process, the panel interviewed six planners from various municipalities in different parts of Orange County. The goal was to better understand the challenges faced by these communities as they work to enable more housing development. Some of the takeaways were:

- Stakeholders had a strong interest in preserving successful centers and bolstering existing commercial centers.
- Some communities are considering or conducting studies to identify underperforming centers. They are looking for solutions that embrace uniqueness.
- Developers approaching municipalities are looking for public realm and infrastructure assistance, financial or otherwise.
- Some of the barriers to residential development/ conversion are height restrictions, parking requirements, adjacency to single family, and public opposition.
- Local politics play a major role in a jurisdiction's approach to addressing underperforming retail centers.
- Mixed use, specifically ground-floor retail in multistory buildings, should not be forced.
- Many owners of retail commercial centers want their sites to include the potential for housing.

TAP panelists doing research and discussing ideas

FISCAL PICTURE

When the panel interviewed municipalities in Orange County, a common theme was a concern about lost sales tax revenue. Typically, municipalities rely on sales tax revenue from commercial developments to fund services. The concern is that the property tax revenue from a residential or mixed-use development would not fill that gap. Some community leaders expressed a desire to keep commercial developments unoccupied with the hope that they would one day be reoccupied vs. redeveloping the sites with residential. Fortunately, there is a growing body of data from local projects that demonstrate a significant net revenue gain is often achievable by redeveloping a struggling commercial site into residential. Of course, actual results will vary by jurisdiction, type of redevelopment, and other factors.

For example, municipalities with a low property tax allocation rate (i.e., the portion of property tax the accrues to a city's General Fund) will fare worse than those with a high rate.

Conversion to Residential: Impact on City Budgets

Below is a formula that was developed by the panel to help municipalities understand the various criteria and factors to consider when pursuing conversion from commercial to residential. The "Best Case Scenario" column lists factors that are likely to lead to generally positive fiscal outcomes from the conversion of commercial to residential uses. The "Worst Case Scenario" lists factors that likely lead to the opposite outcomes. For example, if a relatively unsuccessful retail center whose assessed property values have been suppressed by Proposition 13 (e.g., held in same ownership for many years) is converted into a dense, market-rate condo or apartment complex, it is likely to increase tax revenue to the jurisdiction. The formula can help municipalities better understand the potential financial outcomes of redevelopment, based on key factors.

Key Factor / Consideration	Best Case Scenario	Worst Case Scenario
Property Tax from Existing Commercial	**Low** Due to Proposition 13	**High** Property Recently Sold or Improved
Assessed Value of New Residential	**High** Dense, Market-Rate Project	**Low** Project Includes Many Deed-Restricted, Tax-Exempt Units
Property Tax Allocation to City	**High** E.g., 15% or More	**Low** E.g., less than 10%
Sales Tax from Existing Commercial	**Low** High Vacancy and/or Underperforming Tenants	**High** High Occupancy and Quality Tenants
Sales Tax from New Residential	**High** Project Adds Many Affluent Residents	**Low** New Residents Are Low-Income

This chart shows the various fiscal outcomes of a commericla to residential use conversion based on a variety of factors.

Use-Conversion Formula

The net impact of conversion from commercial to residential/mixed-use on the City's annual sales tax and property tax revenues can be calculated as shown in the following:

- Sales Tax Lost to City
+ Increased Property Tax
+ New Sales Tax
x Allocation of Property and Sales Tax to the City

Net Tax Gain/Loss

Use-Conversion Formula: In-Depth

The use-conversion formula is further clarified in the following example. Cities can apply this formula to evaluate the net impact of replacing underperforming retail with residential development.

STEP 1 Calculate Sales Tax to City	STEP 2 Calculate Increase In Property Tax	STEP 3 Calculate New Sales Tax Allocation	SUMMARY
Retail GLA to be demo'd xGross Sales/SF <Total Gross Sales Lost> xSales Tax Allocation to City **<Sales Tax Lost to City>**	Residential Development Area xDensity DU Count xEstimated DU Value at Completion Est. Assessed Value of Development xProperty Tax Rate Reassessed Prop Tax Generation <Less Prior Assessed Tax Value of -the Demo Area> **Increased Property Tax**	DU Count xAverage Household income xPercent Income Spent on Retail xPercent Retail Capture in City xSales Tax Allocation to City **New Sales Tax Allocation to City**	**- Sales Tax Lost to City** **+ Increased Property Tax** **+ New Sales Tax** **(Allocation to City)** **Net Tax Gain/Loss**

Use-Conversion Formula: Example with Numbers

The following example demonstrates residential development's ability to replace sales tax revenue through increased property value.

STEP 1 Calculate Sales Tax to City	STEP 2 Calculate Increase In Property Tax	STEP 3 Calculate New Sales Tax Allocation	SUMMARY
Retail GLA to be demo'd *(130,680 sf)* Gross Sales/SF x*$(175)* <Total Gross Sales Lost> *(22,869,000)* Sales Tax Allocation to City x*1.00%* **<Sales Tax Lost to City>** ***$(228,690)*** Orange County/ Inland Empire	Residential Development Area *130,680 sf* xDensity *(80 DU/Acre)* DU Count *(240 DUs)* Estimated DU Value at Completion x*$600,000* Est. Assessed Value of Development *$144,000,000* Property Tax Rate x*1.00%* Reassessed Prop Tax Generation *$1,440,000* <Less Prior Assessed Tax Value of the Demo Area> -*$(302,400)* **Increased Property Tax** ***$1,137,600***	DU Count - *240* Average Household income x*$85,000* Percent Income Spent on Retail x*30%* Percent Retail Capture in City x*20%* Sales Tax Allocation to City x*1.00%* **New Sales Tax Allocation to City** ***$12,240***	- **Sales Tax Lost to City** ***(228,690)*** **+ Increased Property Tax** ***$1,137,600*** **+ New Sales Tax (Allocation to City)** ***$12,240*** **Net Tax Gain** ***$921,150***

Note: these numbers are an example and do not represent an actual project. However, they are meant to be realistic. In this example, there is close to a $1 million net tax gain for the municipality.

Downtown Fullerton, Orange County, California

Conversion of Retail to Residential: Fiscal Impact, Regional Example #1

AmpliFi: 600 W Commonwealth Ave, Fullerton, CA 92832

The following example demonstrates residential/mixed-use development's ability to replace sales tax revenue through increased property value.

BEFORE:

Property tax bill - $18,376 (2017–18)

This property in Fullerton was a used car lot, generating a minimal value from property tax. There were some sales tax benefits but they were marginal.

AFTER: Property tax bill - $1,133,681 (2022–23)

When the land was developed into market-rate housing, the property tax revenue for Fullerton increased by over 900 percent. The other benefits to the city were over 300 new residents living in Fullerton, an improved streetscape, and increased walkability. The 300+ residents of this market-rate development spend in other areas of the city, supporting existing successful commercial centers. When accounting for the additional sale tax revenue from local purchases, the total fiscal benefit to the City of Fullerton is even greater.

Conversion of Retail to Residential: Fiscal Impact, Regional Example #2

Baker Block: 125 Baker St., Costa Mesa, CA 92626

BEFORE: Property tax bill - $90,575 (2014)

Before this property was redeveloped, it was a vacant low-rise office building. This particular use type is a great candidate for redevelopment.

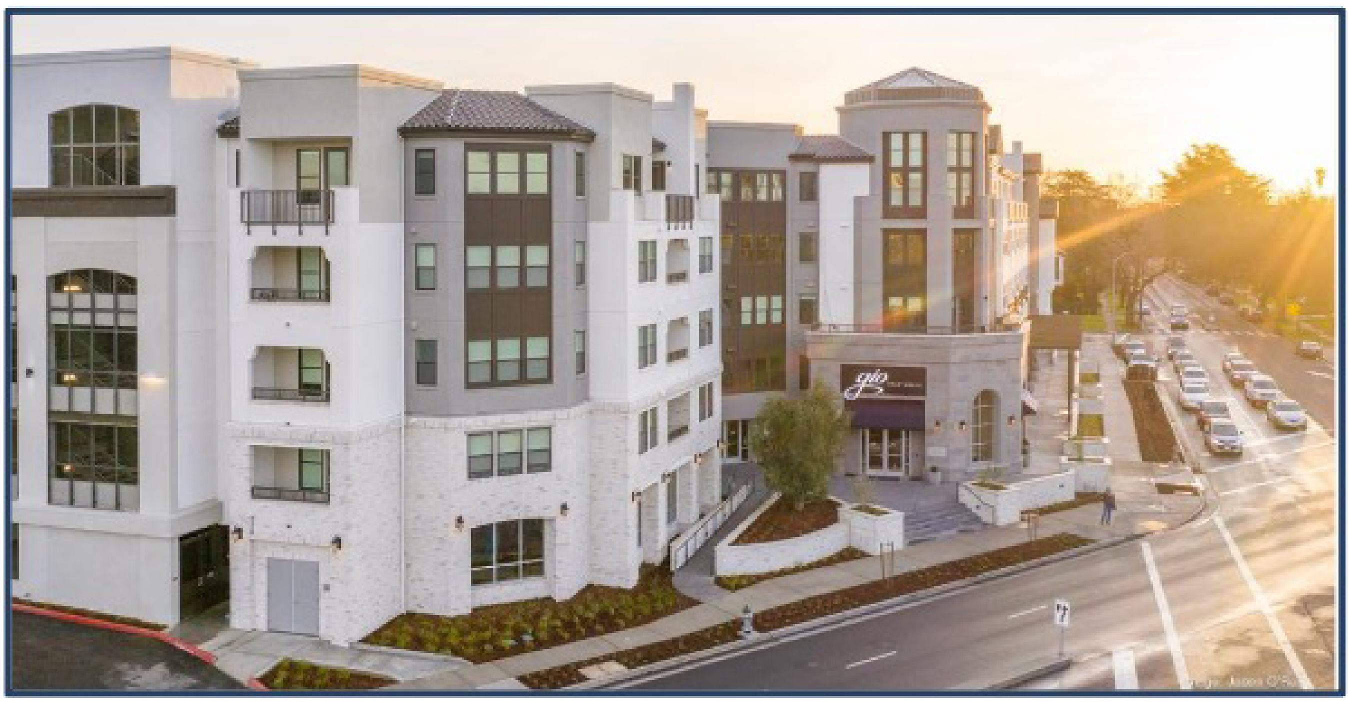
AFTER: Property tax bill - $1,379,911 (2022)

The Baker Block now generates over 10 times more property tax revenue than it did before redevelopment. The 240+ new residents of this market-rate complex spend in other areas of the city, supporting existing successful commercial centers.

Conversion of Retail to Residential: Fiscal Impact, Example from Other Parts of California #1

GIO Apartments: 3675 T St., Sacramento, CA 95816

BEFORE: AT&T Call Center - Assessed Value (AV), ~$17M



AFTER: 213 residential units and 4,300 square feet of retail - AV, ~$87.4M

Source: HOUSING AND THE STRIP: Rethinking the Fiscal Paradigm, prepared by Economic & Planning Systems, July 14, 2022.

Conversion of Retail to Residential: Fiscal Impact, Example from Other Parts of California #2

11000 Tyler Ave, El Monte, CA 91731

BEFORE: Car Dealership

AFTER: $31 million net gain in assessed value

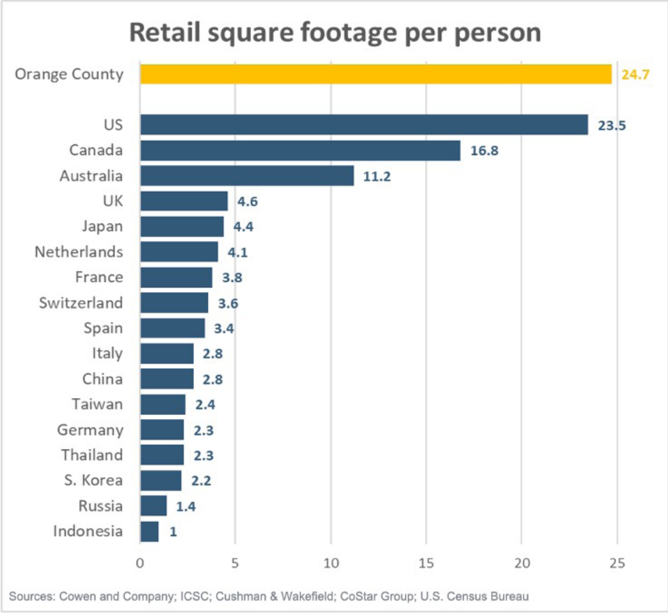
Source: HOUSING AND THE STRIP: Rethinking the Fiscal Paradigm, prepared by Economic & Planning Systems, July 14, 2022.

TRENDS IN RETAIL & OFFICE MARKETS

Retail

Though claims of the "death of retail" are greatly exaggerated, some major structural shifts are affecting the success of many centers and locations. These trends are directly linked to the growing role of the internet in shaping shopping patterns, a phenomenon that was accentuated by the pandemic.

Perhaps the most important trend in retail is the growing importance of the quality of place over sheer space. Since so many items can now be purchased online, the "brick & mortar" establishment must compete by offering experiences and services that can't be obtained online. One important outcome of this trend is an abundance of antiquated retail space. This is especially true in Orange County, which already had an above-average amount of retail square feet per capita compared to the U.S. overall. And the U.S. has significantly more retail per capita than other countries, as shown in the below chart.



*data for Orange County per CoStar Group total inventory retail square footage and Census data for the total population, scaled down to the above value based on relationship to corresponding data sources for US value.

The oversupply of retail space means that many struggling commercial centers may not thrive again due to flat or decreasing demand and abundant competition. This is particularly true for retail that primarily sells items that can easily be purchased online. This creates an opportunity for redevelopment of these centers into residential or mixed use.

Though some types of retail are struggling, plenty of other types are thriving. Experiential retail, such as interactive experiences, virtual reality (VR), and pop-ups are doing well. Other "internet-resistant" retail includes grocery and food and beverage businesses (coffee shops, breweries, etc.).

The increased emphasis on experiential retail favors highly amenitized centers, often in vibrant mixed-use districts—vertical or horizontal. However, it is recommended that any requirement for vertical mixed-use be limited to already walkable and highly trafficked locations. In most cases, the commercial space on the ground floor is subsidized by the units above, increasing the cost of housing. In general, the more suburban the location, the more likely that ground-floor commercial will sit vacant.

Office

The office market is currently weak due to remote working trends and economic uncertainty. The market is experiencing higher vacancies and lower valuations. This is leading to higher rates of owner disinvestment as properties fail to thrive. Though Class A office continues to experience some demand, Classes B and C office are weaker. These are prime targets for conversion to housing.

An example of a semi-vacant retail center in Orange County.

An example of a successful recent office to residential conversion - Park Ford. Though it is possible, there are significant challenges involved when converting office to residential.

The best candidates for reuse are low-rise, weaker office buildings with low lot coverage. Though office towers might be adaptively reused as residential, it is difficult due to the complexity of conversion, code requirements, and other barriers. It is not the lowest hanging fruit in most situations.

Regional Examples of Successful Mixed-Use Development

Prado: 34137 CA-1 #100, Dana Point, CA 92629

- Positive elements: project interacts well with the streetscape; connects well to the area around it; used on-street parking to narrow the street, slow auto speeds
- Lessons learned: the ground-floor retail has struggled to fill all the way, even in this relatively walkable area.

The Village at La Floresta: 3301–3477 E Imperial Hwy, Brea, CA 92823

- Example of a successful mixed-use project. The retail is complemented by the adjacent high-density residential. It's an example of a mixed-use project that does not have ground-floor retail but includes a strong commercial element.

Bella Terra: 7777 Edinger Ave, Huntington Beach, CA 92647

- Another example of a successful mixed-use commercial to residential conversion. This development includes a limited amount of ground-floor retail under residential. Most of the commercial space is separate from the residential though on the same site.

SUPPORTING EXISTING SUCCESSFUL COMMERCIAL CENTERS

There are a variety of strategies that can be used to support existing successful commercial centers.

- **Embracing the redevelopment of vacant or struggling centers can strengthen other existing, stronger centers**, partially through an increase in rooftops to support existing retail.
- **Flexibility around zoning and permitting** can also help. Simplifying and streamlining development and permitting regulations can make it easier for commercial projects to succeed. For example, some communities in Orange County and beyond are **eliminating parking minimums**. This allows developers to build the amount of parking they know they'll need based on their target markets. More uniformity in retail and restaurant parking requirements would be beneficial, especially for centers seeking to lease existing space. Forcing more parking than is needed increases the cost of development. **Signage standards could also be loosened** to allow more interesting and unique signage.
- **Building relationships with commercial brokers is a great way for communities to support commercial development.** This gives jurisdictions more insights into the needs and challenges faced by the development community. Jurisdictions and regional planning agencies like OCCOG can also support commercial developers with data such as economic analysis for a given area.
- **If a jurisdiction has retail concentrated in a particular district, programming that area with events and providing desirable gathering areas will support the district.** Additional strategic investments, such as festival lights and walkability improvements, can also make the area more successful. Temporary programs during the pandemic that encouraged outdoor dining should continue to be supported or brought back if they were eliminated. One successful regional example is the San Juan Capistrano downtown district. In these areas, parking districts and shared parking are successful. They allow customers to "park once" and walk. They also increase the predictability and accessibility of parking.
- In districts and commercial corridors, planners can **make it easier for people to access commercial retail centers by improving transportation options** such as public transit, bike lanes, and pedestrian-friendly streets.
- **Access to electric car chargers** and increasing the ease of installing them in commercial centers could also support commercial areas.

IMPORTANT DESIGN FACTORS

When developing livable mixed-use or residential developments, there are many important design factors to consider.

- **Density of population and of uses realize the greatest benefits.** Clustering residential, commercial, and retail uses promotes walkability and creates a sense of community.

- **A livable mixed-use environment should be pedestrian friendly**, with safe and easy-to-navigate sidewalks, crosswalks, and intersections. This encourages residents to walk, bike, or use public transportation, which can reduce traffic congestion and promote a healthy lifestyle—appropriate when residential uses have been injected into commercial locations.

- Beyond walkability, **pedestrian connectivity to and through projects is important.** The Raintree Project Footbridge in Dana Point is a good local example to emulate.

- **Access to public transportation** is critical to the success of a mixed-use development. The development should be within walking distance of a transit station, bus stop, or another transportation hub.

- **Shared parking** is another best practice that can reduce the cost and impact of mixed-use developments. For example, a single parking lot could be used for commercial during the day and residential at night. A best practice is the guest component of residential parking shared with retail.

- **Public spaces, such as parks, plazas, and community centers, are essential** to livable mixed-use environments. These spaces provide opportunities for social interaction and community building. One way to achieve better public spaces is to create more flexibility around open-space requirements. Many jurisdictions have current regulations that lead to the creation of many small spaces, which are not always functional. Allowing for the consolidation of multiple small spaces might be the better approach for a particular project.

- The **quality of the design and architecture of the development** is critical to creating a livable environment. New residential buildings need to coordinate with and complement the existing architecture. The buildings should be visually appealing and contribute to the character and identity of the neighborhood.

- **Well-designed developments can have a positive impact on safety and security**. A livable mixed-use environment should be safe and secure, with well-lit streets, security cameras, and other safety measures. The design should encourage residential and commercial uses to face toward the public spaces, allowing for more "eyes on the street."

The Dana Point Footbridge connects a recently completed residential development to the beach. It is also a gateway/placemaking feature.

IMPLICATIONS OF RECENT STATE LAWS

Most of the stakeholders interviewed have not noticed that recent State legislation has made an impact on redevelopment of commercial centers. However, this could change as time passes. The panel highlighted a few recent State laws that jurisdictions should be aware of.

SB 330

Passed in 2019 and known as the Housing Crisis Act, this is currently the most useful tool for developers. If a developer submits a development application, the jurisdiction has a 30-day window to deem the application complete. Once it does so, everything is locked in, including impact fees. This helps to reduce the cost of development by increasing predictability.

The legislation applies to residential and mixed-use projects that are at least 2/3 residential. The Housing Crisis Act streamlines the entitlement process, vests applicable fees, and limits applicable standards to those that are objective. Since adoption of the Housing Crisis Act, developers have been submitting project applications for residential and mixed-use projects, including projects on existing commercial sites, through the Housing Crisis Act's Preliminary Application process.

Cities can support developers by preparing a Preliminary Application form and a compilation of objective standards to give to applicants. Jurisdictions should also be prepared to review applications within the timeframes required by the Housing Crisis Act. Developers should prepare a comprehensive Preliminary Application that includes all required elements for review by the City.

AB 2011 and SB 6

These laws go into effect in July 2023 and allows residential development on existing commercial sites under limited circumstances, one of which is that prevailing wage for construction is required. Developers may start to submit AB 2011 and SB 6 applications for residential developments on existing commercial properties, and cities should be prepared to review them and guide applicants about residential density and objective standards.

The differences between AB 2011 and SB 6 are outlined in the chart on the following page.

	AB 2011 Mixed-Income	AB 2011 100% Affordable	SB6
Streamlined Process	Yes	Yes	No
Ministerial Decision (CEQA Exempt)	Yes	Yes	No
Prevailing Wages	Yes	Yes	Yes
Skilled and Trained Workforce	No	No	Yes
Affordable Units	Yes	Yes	No
Tenant Relocation Payment	Yes	No	Yes
Commercial Corridor Requirement	Yes	No	No
Prior Residential Use Restrictions	Yes	No	No

Provided courtesy of Cox Castle

AB 2097

This legislation limits an agency from imposing or enforcing minimum parking requirements on certain development projects within ½ mile of either a "high-quality transit corridor" or a "major transit stop," with several exceptions.

For the purposes of this legislation, a high-quality transit corridor is a corridor with fixed-route bus service with service intervals no longer than 15 minutes during peak commute hours. A major transit stop is defined as a site containing (i) an existing rail or bus rapid transit station, (ii) a ferry terminal served by bus or rail, or (iii) the intersection of two or more major bus routes with a frequency of 15 minutes or less during peak commute periods.

Builder's Remedy

Builder's Remedy is a housing development streamlining tool that allows applicants to disregard General Plan and zoning standards if a jurisdiction's Housing Element has not been certified by HCD and the project consists of either 20 percent low-income units or 100 percent moderate-income units. Builder's Remedy applications are pending statewide. As of the publishing of this report, many jurisdictions' housing elements have not been certified by HCD.

Rendering of the under construction OC Streetcar

CONCLUSION

The goal of this TAP was to explore the fiscal implications of converting commercial properties into housing to increase the supply of housing. The variety of examples demonstrated that a positive fiscal impact could be achieved in a commercial or office conversion to residential. The specific outcome depends on the existing tax revenue, the tax allocation to the jurisdiction, and the assessed value of the future residential project. Though affordable housing should be always be a goal, a larger percentage of market-rate housing would result in greater direct and indirect fiscal benefits.

The formula developed by the panel would be a great way for OCCOG and jurisdictions to quickly determine the fiscal impact of converting a specific site from commercial to residential or mixed use. This would allow communities to more strategically determine the potential impacts of a zone change.

To support existing successful commercial centers, jurisdictions should encourage and possibly assist with improvements that create gathering spaces with shade and amenities, expanded outdoor dining opportunities, updated facades, and other design elements that activate the center.

Underutilized office park, Orange County

ABOUT THE PANEL

Karen Gulley
Panel Chair
Managing Principal
PlaceWorks

Julia Malisos
Panel Chair
Principal
WHA, Inc.

Jason Moody
Principal
Economic & Planning Systems

Jim Vanderpool
City Manager
City of Anaheim

Rob Reitenour
Senior Vice President
LOWE

Morgan Gallagher
Partner
Cox Castle & Nicholson

Alex Leonard
Senior Director, Development
Greystar

Andrew Nelson
Principal
Red Oak Investments

This Page Intentionally Left Blank

Orange County/
Inland Empire

ULI Orange County/Inland Empire
2030 Main Street
Suite 1200
Irvine, CA 92614

kendra.chandler@uli.org

orangecounty.uli.org